



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-3873
PHONE: (213) 974-8301 FAX: (213) 626-5427

WENDY L. WATANABE
AUDITOR-CONTROLLER

MARIA M. OMS
CHIEF DEPUTY

ASST. AUDITOR-CONTROLLERS

ROBERT A. DAVIS
JOHN NAIMO
JUDI E. THOMAS

March 17, 2011

TO: Supervisor Michael D. Antonovich, Mayor
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe

FROM: Wendy L. Watanabe 
Auditor-Controller

SUBJECT: **ST. FRANCIS MEDICAL CENTER CONTRACT REVIEW – A
DEPARTMENT OF MENTAL HEALTH SERVICE PROVIDER**

We completed a program and fiscal contract compliance review of St. Francis Medical Center (SFMC or Agency), a Department of Mental Health (DMH) service provider. The purpose of our review was to determine whether SFMC complied with its contract terms and appropriately accounted for and spent DMH Program funds providing the services outlined in their County contract. Services include interviewing program clients, assessing their mental health needs, and developing and implementing a treatment plan.

DMH paid SFMC on a cost-reimbursement basis for services or approximately \$2 million for Fiscal Year (FY) 2009-10. The Agency's headquarters is located in the Second District.

Results of Review

Generally, SFMC maintained documentation to support the mental health services billed and staff assigned to the County contract possessed the required qualifications. However, SFMC charged DMH \$220,450 in questioned costs and did not ensure that all Assessments, Client Care Plans and Progress Notes were completed in accordance with the County contract. Specifically, SFMC:

- Charged DMH \$151,759 in unsupported expenditures on their FY 2008-09 Cost Report.

SFMC's attached response indicates that they will reduce their FY 2008-09 Cost Report by \$151,759.

- Over allocated \$63,820 to the DMH Program for shared program expenditures using incorrect allocation rates.

SFMC's attached response indicates that they will reduce their FY 2009-10 Cost Report by \$63,820.

- Charged DMH \$4,871 (\$2,395 + \$1,818 + \$658) for unsupported or unallowable expenditures during FY 2009-10.

SFMC's attached response indicates that they will reduce their FY 2009-10 Cost Report by \$4,871.

- Did not adequately describe the symptoms and behaviors in the participants' Assessments to support the Agency's clinical diagnosis for 12 (60%) of the 20 clients sampled.
- Did not set specific goals on any of the 20 participants' Client Care Plans.
- Did not complete 19 (63%) of the 30 participants' Progress Notes in accordance with the County contract

SFMC's attached response indicates that they will provide ongoing training to staff to ensure that Assessments, Client Care Plans and Progress Notes are completed in accordance with the County contract.

We have attached the details of our review along with recommendations for corrective action.

Review of Report

We discussed the results of our review with SFMC and DMH. At the exit meeting, SFMC accepted our offer to provide technical training to improve their DMH Program services and the Agency's compliance with the County contract. In addition, in the attached response, the Agency concurred with our recommendations and agreed to reduce their FYs 2008-09 and 2009-10 Cost Reports by \$151,759 and \$68,691, respectively. DMH will follow-up to ensure that the recommendations are implemented.

Board of Supervisors
March 17, 2011
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We thank SFMC management for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:JET:DC:EB

Attachment

c: William T Fujioka, Chief Executive Officer
Dr. Marvin J. Southard, Director, Department of Mental Health
Sister Joyce Weller, DC, Chair, Board of Directors, St. Francis Medical Center
Derrell Tidwell, Executive Director, St. Francis Medical Center
Public Information Office
Audit Committee

**DEPARTMENT OF MENTAL HEALTH
ST. FRANCIS MEDICAL CENTER
FISCAL YEAR 2009-10**

BILLED SERVICES

Objective

Determine whether St. Francis Medical Center (SFMC or Agency) provided the services billed in accordance with their County contract with the Department of Mental Health (DMH).

Verification

We selected 30 billings totaling 2,965 minutes from 98,068 service minutes of approved Medi-Cal billings from January and February 2010, which were the most current billings available at the time of our review (July 2010). We reviewed the Assessments, Client Care Plans and Progress Notes maintained in the clients' charts for the selected billings. The 2,965 minutes represent services provided to 20 program participants.

Results

Generally, SFMC maintained documentation to support the service minutes billed. However, SFMC did not always complete the Assessments, Client Care Plans and Progress Notes as required by the County contract.

Assessments

SFMC did not complete 12 (60%) of the 20 Assessments in accordance with the County contract. Specifically:

- Twelve Assessments did not adequately describe the clients' symptoms and behaviors consistent with the Diagnostic and Statistical Manual of Mental Disorder (DSM) to support the given diagnosis for the clients.
- Three Assessments did not contain the Annual Assessment Updates with all required information. Specifically, the Annual Assessment Updates did not document how clients continue to meet Medical Necessity.

The number of incomplete Assessments above exceeds the total number of Assessments in question because some Assessments had both findings. An Assessment is a diagnostic tool used to document the clinical evaluation of each client and establish the client's mental health treatment needs. The County contract requires Agencies to follow the DSM when diagnosing clients.

Client Care Plans

None of the 20 Client Care Plans contained specific goals as required by the County contract.

Progress Notes

SFMC did not complete 19 (63%) of the 30 Progress Notes in accordance with the County contract. Specifically:

- Seventeen Progress Notes for the Mental Health Services did not describe what the clients or service staff attempted and/or accomplished towards the clients' goals.
- Two Progress Notes for the Targeted Case Management Services did not document the services aimed towards client's goals, functional impairments or presenting problems.

Recommendation

1. **SFMC management ensure that Assessments, Client Care Plans and Progress Notes are completed in accordance with the County contract.**

STAFFING LEVELS

Objective

Determine whether the Agency maintained the appropriate staffing ratios for applicable services.

We did not perform test work in this section, as the Agency did not provide services that require staffing ratios for this particular program.

Recommendation

None.

STAFFING QUALIFICATIONS

Objective

Determine whether SFMC treatment staff possessed the required qualifications to provide the services.

Verification

We reviewed the California Board of Behavioral Sciences' website and/or the personnel files for nine of the 18 SFMC treatment staff who provided services to DMH clients during January and February 2010.

Results

Each employee in our sample possessed the qualifications required to deliver the services billed.

Recommendation

None.

CASH/REVENUE**Objective**

Determine whether cash receipts and revenue were properly recorded in the Agency's financial records and deposited timely in their bank account. In addition, determine whether the Agency maintained adequate controls over cash and other liquid assets.

Verification

We interviewed SFMC management and reviewed the Agency's financial records. We also reviewed two bank reconciliations for June 2010.

Results

SFMC maintained adequate controls to ensure that revenue, cash and liquid assets were properly recorded and deposited in a timely manner.

Recommendation

None.

COST ALLOCATION PLAN**Objective**

Determine whether SFMC's Cost Allocation Plan is prepared in compliance with the County contract and used to appropriately allocate shared program expenditures.

Verification

We reviewed the Agency's Cost Allocation Plan and selected expenditures totaling \$110,787 to ensure that the expenditures were appropriately allocated to the Agency's programs in Fiscal Year (FY) 2009-10.

Results

SFMC did not have a written Cost Allocation Plan as required by the County contract. In addition, SFMC over allocated \$63,820 to the DMH Program for depreciation and employee benefit expenditures using incorrect allocation rates due to a clerical error.

During the contract year, DMH pays SFMC a negotiated rate for their cost-reimbursement contract. At the end of the contract year, if the Agency's revenues exceed the actual expenditures on their Cost Report, the Agency must repay DMH for the excess amount received.

Recommendations**SFMC management:**

2. **Develop a written detailed and equitable Cost Allocation Plan in compliance with the County contract.**
3. **Revise their FY 2009-10 Cost Report to reduce the reported program expenditures by \$63,820 and repay DMH for any excess amount received.**

EXPENDITURES**Objective**

Determine whether program expenditures were allowable under the County contract, properly documented and accurately charged to the DMH Program.

Verification

We interviewed Agency personnel, reviewed financial records and documentation to support 21 non-payroll expenditure transactions totaling \$83,389 charged to the DMH Program during FY 2009-10.

Results

SFMC charged DMH \$4,871 in questioned costs. Specifically, SFMC charged DMH:

- \$2,395 for meals without an itemized receipt.

- \$1,818 for consultant expenditures without documentation to support the hours billed and the names of the clients the services were provided to.
- \$658 to repay DMH for amounts they had over billed DMH previously.

As previously indicated, DMH pays SFMC a negotiated rate for their cost-reimbursement contract during the contract year. At the end of the contract year, if the Agency's revenues exceed the actual expenditures on their Cost Report, the Agency must repay DMH for the excess amount received.

Recommendations

SFMC management:

4. Provide documentation to support the \$4,213 (\$2,395 + \$1,818) or reduce the FY 2009-10 Cost Report by the unsupported amount.
5. Revise the FY 2009-10 Cost Report to reduce the reported program expenditures by \$658 and repay DMH for any excess amount received.
6. Ensure that program expenditures are supported with adequate documentation.
7. Ensure that only allowable expenditures are charged to the DMH Program.

FIXED ASSETS

Objective

Determine whether fixed asset depreciation costs charged to DMH were allowable under the County contract, properly documented, and accurately billed.

Verification

We interviewed staff and reviewed the Agency's financial records related to fixed assets. In addition, we reviewed two items with depreciation costs totaling \$76,714 that the Agency charged to the DMH Program in FY 2009-10.

Results

The depreciation costs charged to DMH were allowable, properly documented, and accurately billed.

Recommendation

None.

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll expenditures were appropriately charged to the DMH Program. In addition, determine whether personnel files are maintained as required.

Verification

We traced the payroll expenditures totaling \$19,748 for ten employees to the payroll records and time reports for the pay period ending June 12, 2010. We also interviewed six employees and reviewed all ten employees' personnel files.

Results

SFMC's payroll expenditures were appropriately charged to the DMH Program. In addition, the Agency maintained the personnel files as required.

Recommendation

None.

COST REPORT**Objective**

Determine whether SFMC's FY 2008-09 Cost Report reconciled to the Agency's accounting records.

Verification

We traced the Agency's FY 2008-09 DMH Cost Report to the Agency's accounting records.

Results

SFMC's Cost Report contained \$151,759 in undocumented expenditures. Specifically, the Cost Report exceeded their accounting records by \$151,759 because the Agency over stated their administrative costs. Agency management indicated that it was a clerical oversight.

Recommendation

8. SFMC management revise their FY 2008-09 Cost Report to reduce the reported program expenditures by \$151,759 and repay DMH for any excess amount received.



3630 E. Imperial Hwy
Lynwood, CA 90262
(310) 900-8490

November 24th, 2010

Ms. Wendy L. Watanabe
Auditor – Controller
County of Los Angeles
500 West Temple Street, Room 525
Los Angeles, CA 90012

Dear Ms. Watanabe,

This correspondence is submitted as our agency's revised response to the finding of the recently completed program and fiscal contract compliance review for FY 2009-10. The responses below are specific to that category's findings and recommendation.

Billed Services

Our agency agrees with the recommendations.

(1) Effective November 1st, 2010, our agency ensures that all Assessments, Client Care Plans, and Progress Notes are completed in accordance with its LAC-DMH provider contract. To ensure compliance, staff have received, and will continue to receive, ongoing training to ensure contract compliance.

Cost Allocation Plan

Our agency agrees with the recommendations.

(2) Effective November 1st, 2010, the medical center's Finance Department has developed a detailed and equitable Cost Allocation Plan that is in compliance with LAC-DMH provider contract.

(3) Regarding the FY 2009-10 Cost Report, the supplemental detail form (LAC #101) has been corrected and a revised FY 2009-10 Cost Report has been prepared. This revised cost report reduces the program expenditures by \$63,820. The revised cost report will be sent to LAC-DMH.

Expenditures

Our agency agrees with the recommendations.

(4) As a result of the corrected LAC #101 form, the \$4,213 was removed from the revised FY 2009-10 Cost Report.

(5) As a result of the corrected LAC #101 form, the \$658 was removed from the revised FY 2009-10 Cost Report.

(6) Effective November 1st, 2010, all expenditures will be supported with adequate documentation.

(7) Effective November 1st, 2010, management ensures that only allowable expenditures are charged to the LAC-DMH program.

Cost Report

Our agency agrees with the recommendations.

(8) St. Francis Medical Center will revised the FY 08-09 Cost Report to remove the \$151,759

Should you have any questions or desire any additional information, please feel free to contact me.

Sincerely,



Derrell Tidwell, ACSW, LCSW, BCD
Executive Director
Children's Counseling Center
St. Francis Medical Center